NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Placer (the County) is a political subdivision of the State of California. An elected, five-member Board of Supervisors (the Board) governs the County. The Board is financially accountable for the Governmental Funds, Proprietary Funds, Fiduciary Funds, and the Discretely Presented Component Unit. Such financial accountability is determined on the basis of budget adoption, taxing authority, financial benefit or burden, funding and appointing a voting majority of the governing authority, designation of management, ability of the Board to impose its will, and fiscal dependency. The basic financial statements of the County include the financial activities of the following legally separate entities:

<u>Blended Component Units</u>

The County Service Areas are separate legal entities created to provide services such as water, sewer, lighting, and road maintenance throughout the County.

The Sewer Maintenance Districts are separate legal entities formed to provide sewer maintenance services within the County.

The Newcastle and Penryn Lighting Districts are separate legal entities formed to provide utilities services in these districts within the County.

The Redevelopment Agency of Placer County (the Agency) is a separate legal entity formed to administer the development of certain areas within the County.

The North Lake Tahoe Public Financing Authority is a separate legal entity formed to provide for the financing and refinancing of land improvements, facilities and equipment for public purposes.

The Gold Country Settlement Funding Corporation (the Corporation) is a separate legal entity formed to provide tobacco securitization financing to the County to fund major capital improvement projects.

All of the entities described above are included in the County's reporting entity because of their operational and financial relationship with the County. Although the above entities are legally separate from the County, they are reported as part of the primary government because their Boards consist of or are appointed by the County Board of Supervisors.

<u>Discretely Presented Component Unit</u>

The First 5 Placer Children and Families Commission (the Commission) was established under the provisions of the California Children and Families Act (the Act). The Commission is a public entity legally separate and apart from the County and its purpose is to develop, adopt, promote and implement early childhood development programs in the County of Placer consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Commission is administered by a governing board of seven members, which are appointed by the County Board of Supervisors. Three members are representatives of the County's health care departments, County's social services departments and Board of Supervisors. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a component unit of the County.

Separate financial statements for the Redevelopment Agency of Placer County, the North Lake Tahoe Public Financing Authority, the Commission and the Corporation may be obtained by contacting the County. Separate financial statements for the other legally separate entities are not issued.

Activities of the County school districts and other special purpose districts administered by Boards separate from, or independent of, the County Board of Supervisors are not part of the defined reporting entity because they do not meet the above financial accountability criteria.

B. Government-wide and Fund Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific segment or function. The County includes certain indirect costs as part of the program expenses reported for various functional activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 365 days of the end of the current fiscal period, except for property taxes, which the County considers available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The governmental funds used to liquidate compensated absences are the General Fund, Public Safety Fund, Public Ways and Facilities Fund, Capital Improvements Fund, Community Services Fund, County Library Fund, Fire Control Fund and the Redevelopment Agency Housing Fund.

Property taxes, franchise taxes, licenses, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County, except those required to be accounted for in another fund.

The **Public Safety Special Revenue Fund** is used to account for the operations of Public Safety departments, including the Sheriff, Probation and District Attorney.

The **Public Ways and Facilities Special Revenue Fund** is used to account for the planning, design, construction, maintenance and administration of County roads.

The **Capital Improvements Fund** was established to account for resources used for countywide facility acquisition and improvement needs and is used to account for deposits from developers and mitigation fees collected by the County and incorporated Cities related to new growth and development within the County.

The **Capital Projects Securitization Fund** is used to account for financial resources resulting from the sale of the County's rights to future tobacco settlement payments. Use of these funds is restricted to the acquisition and construction of specific major capital facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following major enterprise funds:

The **Transit Fund** accounts for the costs of providing transit services throughout the County.

The **Facilities Fund** accounts for activities related to property management and building maintenance for County-owned and leased buildings and solid waste and landfill operations.

The **Health and Human Services Fund** accounts for a variety of health and social services programs.

The **County Service Areas Fund** is used to account for financial resources collected in specific areas of the County which provide services such as snow removal and irrigation or to pay down debt incurred for public improvements.

The **Sewer Maintenance Districts Fund** accounts for water and sewer maintenance activities in specific areas of the County.

Additionally, the County reports the following fund types:

The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or other governmental units on a cost reimbursement basis. Activities include the County's self-insurance programs, providing services to County-governed districts, service areas and advisory councils and equipment financing of the County.

The **Investment Trust Fund** accounts for the assets of legally separate entities that deposit cash with the County Treasurer in an investment pool, which commingles resources in an investment portfolio for the benefit of all participants. These participants include school and community college districts, other special districts governed by local boards, regional boards and authorities, and pass-through funds for tax collection for cities.

Agency Funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County as an agent for individuals and other government units.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), are accounting principles generally accepted in the United States of America.

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows – Proprietary Funds, the County considers all short-term (three months or less) highly liquid investments, including restricted assets, to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents for purposes of the Statement of Cash Flows – Proprietary Funds.

Investments

California Government Code Section 53600, et seq., authorizes the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, obligations of the State or any local agency of the State of California, bankers' acceptances, commercial paper, negotiable certificates of deposits, repurchase agreements or reverse repurchase agreements, medium-term notes issued by corporations and the State of California Local Agency Investment Fund. The County Treasurer may also invest in certain open-ended mutual funds permitted by the Government Code.

In accordance with GASB Statement No. 31, investments are reported on the statement of net assets/balance sheet at their fair value and all changes in fair value are reflected in income. Fair values were obtained from our custodial statement for all investments having greater than 90 days to maturity. Amortized cost was used for all investments having 90 days or less to maturity, and book cost was used for collateralized Certificates of Deposit purchased from state and nationally chartered banks. Investments are marked to fair value annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar-to-dollar basis and only a withdrawal from the pool of a size that jeopardizes pool participants would cause the withdrawal to be done at market value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Interfund Receivables and Payables

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) in the balance sheet of governmental funds and statement of net assets for proprietary funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the government funds balance sheet, are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost, which is determined on a first-in first-out basis, and consist primarily of expendable supplies held for consumption. The cost is recorded as an expenditure when the items are used. In the governmental funds balance sheet, there is a reservation of fund balance equal to the inventory balance as these amounts are not available for appropriation.

Payments made for services that will benefit future accounting periods are recorded as prepaid items. In the governmental fund types, there is a reservation of fund balance equal to the amount of prepaid items, since these amounts are not available for appropriation.

Restricted Cash and Investments

Restricted cash and investments consist of $449,002 in the Facilities Enterprise Fund. The investments are restricted for the payment of closure and postclosure care costs associated with the Eastern Regional Landfill. See Note 13 to the basic financial statements for additional landfill disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include property (e.g. land), plant (e.g. buildings and improvements), equipment (e.g. vehicles, computers, office equipment and software) and infrastructure (e.g. roads, bridges, sewers, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Capitalization thresholds are $5,000 for equipment and $50,000 for buildings, improvements and infrastructure.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	10 to 65 years
Buildings and improvements	10 to 50 years
Equipment	2 to 25 years

Compensated Absences

The County reports a liability for compensated absences attributable to services already rendered as of June 30, 2005 and that are not contingent on a specific event that is outside the control of the County, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect at June 30, 2005, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, Social Security and Medicare taxes.

All regular employees of the County earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Also, regular employees are given credit for eight hours sick leave each month of employment with unlimited accumulation. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off. With respect to sick leave, employees are entitled to either a lump sum payout not to exceed $2,000 or additional retirement credits from CalPERS based on a formula. Based on prior history, the majority of County employees opt for additional retirement credits. Accordingly, the County has not recorded a liability for any accrued sick leave. All other compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or proprietary funds statement of net assets. In the fund financial statements, governmental funds bond and capital lease proceeds are reported as other financing sources. Interest is reported as an expenditure in the period in which the related payment is made.

Net Assets/Fund Balances

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets - net of related debt, restricted and unrestricted.

- *Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net asset balance.

- *Restricted* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specific purpose.

As of June 30, 2005, reservations of fund balance are described below:

- *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.

- *Inventories* – to reflect that balances of inventory accounts which reflect resources already expended, but not consumed, and are not available for appropriation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

- *Prepaid items* – to reflect that balances of prepaid items that benefit future periods and are not available for appropriation.

- *Deposits with others* – to reflect the amounts of deposits with others that are long-term in nature and do not represent available spendable resources.

- *Advances* – to reflect the amounts due from other funds that are long-term in nature and do not represent available spendable resources.

- *Imprest cash* – to reflect cash on hand maintained by various departments and do not represent available spendable resources.

- *General* – to reflect County policy in establishing a minimum percentage of budgeted expenditures to expend certain resources for unforeseen future events, including shortfalls arising from economic uncertainties.

- *Debt service* – to reflect the funds held by trustees or fiscal agents for the future payment of principal and interest on the certificates of participation. These funds are not available for general operations.

Property Taxes

The County's property taxes are levied July 1 (Unsecured Roll) and October 1 (Secured Roll) on assessed value established on the lien date of the previous January 1 for all taxable property located within the County. Local assessed values are determined, subject to appeal before the Assessment Appeals Board, by the County Assessor’s Office. Locally assessed real property is appraised at the 1975-76 base year value and is adjusted each year after 1975 by the change in the California Consumer Price Index (CCPI) not to exceed an increase of 2% per year.

Property is reappraised from the 1975-76 base year value to current full value upon either (1) a change in ownership or (2) new construction, as of the date of such transaction or completion of construction (only the newly constructed portion of the property is reappraised). Thereafter, it continues to be increased annually by the change in the CCPI not to exceed 2%. The net asset value for the 2004-2005 fiscal year is $39,821,074,425.

The County is permitted by Division 1, Part 0.5, Chapter 5.5, of the California Revenue and Taxation Code, to levy taxes up to $1.00 per $100 of assessed valuation for general governmental services other than payment of principal and interest on general obligation bonds or other indebtedness approved by voters. Taxes are allocated to local agencies and school districts as outlined in Chapter 6 of the California Revenue and Taxation Code. Counties, cities, and school districts may levy such additional tax rate as is necessary to provide for voter-approved debt service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Taxes are due in one installment (Unsecured Roll) on billing and are subject to late payment penalties if paid after August 31, or two installments (Secured Roll) due November 1 and March 1, and again subject to late payment penalties if paid after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

In fiscal year 1993-94, the County adopted the Alternate Method of Property Tax Allocation (commonly referred to as the Teeter Plan). Under the Teeter Plan, the County Auditor-Controller, an elected official, is authorized to pay 100% of the property taxes billed (secured, supplemental, and debt service) to the taxing agencies within the County. The County recognizes property tax revenues in the period for which the taxes are levied. Previously, such taxes were allocated and paid as the taxes were collected. Property taxes are accrued as receivables in the period when they are levied. Property tax revenues are recognized when they become available.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Taxes on real estate, land and buildings are secured by liens on property being taxed.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	$ 1,829,794
Imprest cash	11,710
Deposits with financial institutions	38,439,413
Investments	911,297,424
Total	951,578,341
Less warrants payable	(26,235,493)
	925,342,848
Cash with fiscal agent	7,627,908
Restricted cash and investments	449,002
Total cash and investments	$933,419,758

NOTE 2 – CASH AND INVESTMENTS (Continued)

Total County cash and investments are reported as follows:

Primary government	$410,010,171
Component unit	8,596,525
Investment trust fund	489,992,529
Agency funds	24,820,533
Total cash and investments	$933,419,758

Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, $547,581 is insured by federal depository insurance and $37,951,872 is collateralized in accordance with Section 53652 of the California Government Code. The securities are held by the pledging financial institution in the County's name and have a market value of at least 110% of the County's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

At June 30, 2005, the carrying amount of the County's cash deposits (including amounts in checking and nonnegotiable certificates of deposit) was $38,439,413 and the bank balance was $38,499,452.

Investments

The Treasurer's Investment Pool is available for use by all funds. The County also has cash and investments held by fiscal agents pledged to the payment of security of certain long-term obligations.

The share of each fund in the Treasurer's Investment Pool is separately accounted for and interest is apportioned monthly based on the relationship of the fund's average daily cash balance to the total of the pooled cash and investments.

The Placer County Treasurer's Pool is not SEC–registered, but is invested in accordance with California State Government Code section 53600 et. seq. The Treasury Oversight Committee is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Treasury Oversight Committee reviews the monthly investment report and causes a compliance audit of investments to occur annually. Certain special districts and all public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Treasurer's Pool consists almost entirely of such districts and includes 97 percent involuntary participants at June 30, 2005.

In addition to the restrictions and guidelines of California Government Code, cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Treasury Oversight Committee and the Board of Supervisors annually. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law. The County Treasury did not have any violations of its policy during the current year.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk

This is the risk of loss due to changes in market interest rates adversely affecting the fair value of an investment. The Treasurer mitigates this risk by ensuring sufficient liquidity to meet cash flow needs and only then investing in longer-term securities. The Treasurer uses the weighted average maturity method to identify and manage interest rate risk.

Investment Type	Fair Value	Interest Rates	Maturity Range	Weighted Average Maturity
U.S. government securities	$ 80,337,073	1.50-3.63%	8/31/05 – 9/15/08	1.65 years
U.S. government agencies	563,982,458	1.30 – 5.50%	7/01/05 – 7/13/07	.72 years
Commercial paper	47,884,495	2.80-3.26%	7/5/05 – 10/17/05	.07 years
Negotiable certificates of deposit	60,699,418	2.31-3.30%	7/05/05-3/30/06	.25 years
Corporate notes	158,393,980	2.75 – 7.50%	7/15/05 – 2/15/07	.85 years
Total investments in County Pool	911,297,424			
Investments with fiscal agents:				
U.S. government securities	2,698,317			
U.S. Treasury notes	1,780,389			
Corporate note	3,149,202			
Restricted investments:				
U.S. government securities	449,002			
Total investments	$ 919,374,334			

Credit Risk

Credit risk is the risk of loss in value due to a decline in the credit rating of investments as described by nationally recognized rating agencies. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The County Treasurer's policy permits investment in the debt of issuers with a short term rating of *superior capacity* and a minimum long term rating of *upper medium grade* by two of the three largest nationally recognized rating agencies. For short-term ratings, the issuers' rating must be at least A-1 and P-1, and long-term ratings must be at least A- and A3 by two of the three largest nationally recognized rating agencies. In addition, the County Treasurer is permitted to invest in the debt of the State of California Local Agency Investment Fund, collateralized certificates of deposits and bonds and notes issued by other California local agencies and the County that are non-rated.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Type	Standard & Poor's	% of Portfolio
U.S. Treasury Securities	AAA	8.87%
Federal Agency Securities	AAA	62.15%
Medium Term Notes	AAA	3.93%
Medium Term Notes	AA	2.25%
Medium Term Notes	AA-	1.75%
Medium Term Notes	A+	4.72%
Medium Term Notes	A	4.52%
Negotiable Certificates of Deposit	AAA	.55%
Negotiable Certificates of Deposit	AA+	1.10%
Negotiable Certificates of Deposit	AA	1.10%
Negotiable Certificates of Deposit	A+	1.10%
Negotiable Certificates of Deposit	A	2.76%
Commercial Paper	A-1+	2.20%
Commercial Paper	A-1	3.00%
		100.00%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. Government and agency issues are considered to be of the best quality grade, as such there is no limitation on amounts invested in U.S. Government or agency issues per California Government Code. At year-end, over 71% of the County Treasurer's investments are in such issues. Of the remaining 29%, no investment in a single issuer exceeded 5%.

Custodial Credit Risk

Custodial credit risk is the risk due to uninsured or uncollateralized deposits. At year-end, the County did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Condensed Financial Information

The Pool does not issue separate financial statements. Condensed financial information for the Pool as of and for the fiscal year ended June 30, 2005 is as follows:

Statement of net assets:		
Net assets held for Pool participants	$	924,581,402
Equity of internal Pool participants	$	434,588,873
Equity of external Pool participants		489,992,529
Total equity	$	924,581,402
Statement of changes in net assets:		
Net assets at July 1, 2004	$	868,691,375
Net change in net assets for Pool participants		55,890,027
Net assets at June 30, 2005	$	924,581,402

NOTE 3 – RECEIVABLES

Receivables at year-end of the County's major individual funds and nonmajor and internal service funds, in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables- Governmental Activities:	Accounts	Notes	Due From Other Governments	Total
General Fund	$ 795,463	$ -	$ 30,508,226	$ 31,303,689
Public Safety Fund	16,592	-	7,893,563	7,910,155
Public Ways and Facilities Fund	-	-	2,743,702	2,743,702
Other Nonmajor Funds	1,931,079	4,237,755	1,297,516	7,466,350
Internal Service Funds	76,807	-	-	76,807
Net receivables	$ 2,819,941	$ 4,237,755	$ 42,443,007	$ 49,500,703

Receivables- Business-Type Activities:	Accounts	Due From Other Governments	Total
Transit Fund	$ 251,456	$ 93,958	$ 345,414
Health and Human Services Fund	-	352,610	352,610
County Service Areas Fund	101,769	-	101,769
Sewer Maintenance Districts Fund	178,125	-	178,125
Net receivables	$ 531,350	$ 446,568	$ 977,918

The notes receivable balance represents redevelopment agency housing loans that are not expected to be collected in one year.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 for the governmental activities and business-type activities are as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 25,257,945	$ 12,824,987	$ -	$ 38,082,932
Construction in progress	33,114,043	31,827,465	(16,114,496)	48,827,012
Total capital assets not being depreciated	58,371,988	44,652,452	(16,114,496)	86,909,944
Capital assets, being depreciated:				
Structures and improvements	84,668,963	1,701,302	(495,414)	85,874,851
Equipment	43,821,419	2,852,291	(1,772,000)	44,901,710
Infrastructure	200,651,876	20,733,230	(16,789,402)	204,595,704
Total capital assets, being depreciated	329,142,258	25,286,823	(19,056,816)	335,372,265
Less accumulated depreciation for:				
Structures and improvements	(19,139,536)	(1,720,855)	280,888	(20,579,503)
Equipment	(22,972,411)	(3,364,352)	1,503,344	(24,833,419)
Infrastructure	(146,260,387)	(7,817,943)	15,627,852	(138,450,478)
Total accumulated depreciation	(188,372,334)	(12,903,150)	17,412,084	(183,863,400)
Total capital assets being depreciated, net	140,769,924	12,383,673	(1,644,732)	151,508,865
Governmental activities, net	199,141,912	57,036,125	(17,759,228)	238,418,809

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,398,148	$ -	$ -	$ 1,398,148
Construction in progress	2,861,837	899,284	(2,555,605)	1,205,516
Total capital assets not being depreciated	4,259,985	899,284	(2,555,605)	2,603,664
Capital assets, being depreciated:				
Structures and improvements	44,240,386	2,556,317	-	46,796,703
Equipment	7,409,090	2,123,932	(442,033)	9,090,989
Infrastructure	84,315,798	2,495,941	-	86,811,739
Total capital assets being depreciated	135,965,274	7,176,190	(442,033)	142,699,431
Less accumulated depreciation for:				
Structures and improvements	(25,297,415)	(1,032,192)	-	(26,329,607)
Equipment	(3,622,266)	(513,725)	442,033	(3,693,958)
Infrastructure	(22,774,760)	(1,297,616)	-	(24,072,376)
Total accumulated depreciation	(51,694,441)	(2,843,533)	442,033	(54,095,941)
Total capital assets being depreciated, net	84,270,833	4,332,657	-	88,603,490
Business-type activities, net	88,530,818	5,231,941	(2,555,605)	91,207,154
Total	$ 287,672,730	$ 62,268,067	$ (20,314,833)	$ 329,625,964

At the beginning of the fiscal year ended June 30, 2005, the District Services Internal Service Fund was reclassified from business-type activities to governmental activities in the government-wide financial statements. Accordingly, beginning balances for capital asset activity have increased for governmental activities and decreased for business-type activities by a net book value of $865,602.

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	999,429
Public protection		1,505,939
Health and sanitation		87,156
Public ways and facilities		8,297,968
Recreation and cultural		71,000
Education		111,748
Capital assets held by the County's Internal Service Funds are charged to various functions based on usage of the assets		1,829,910
Total depreciation expense - governmental activities	$	12,903,150

Business-type activities:		
Public transit	$	560,507
Facilities		376,462
Community health clinics		8,385
Waste disposal		1,898,179
Total depreciation expense - business-type activities	$	2,843,533

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system or 3) payments between funds are made. The following schedule briefly summarizes the amounts due to/from other funds at June 30, 2005:

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Fund	$ 937,895
Transit	General Fund	39,766
Nonmajor Governmental Funds	Nonmajor Governmental Funds	807,994
Total		$ 1,785,655

Advances to/from other funds represent long-term loans made to support the County's housing and redevelopment, county service area and special district activities. The following schedule briefly summarizes the amounts advanced to/from other funds at June 30, 2005:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 547,694
	Internal Service Funds	686,946
		1,234,640
Sewer Maintenance Districts	County Service Areas	62,659
Internal Service Funds	County Service Areas	428,230
	Nonmajor Governmental Funds	499,338
		927,568
Total		$ 2,224,867

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Transfers are indicative of funding for capital projects, re-allocations of special revenues and subsidies of various County operations. The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2005:

General Fund	Public Safety	$	38,603,786
	Public Ways and Facilities		6,040,896
	Capital Improvements		19,946,100
	Health and Human Services		4,506,317
	Nonmajor Governmental Funds		3,365,560
	Internal Service Funds		1,367,766
			73,830,425
Public Safety	Internal Service Funds		229,909
Public Ways and Facilities	Capital Improvements		699,895
	Nonmajor Governmental Funds		431,086
			1,130,981
Capital Improvements	Nonmajor Governmental Funds		440,836
Nonmajor Governmental Funds	General Fund		135,367
	Public Safety		30,000
	Capital Improvements		10,310
	Nonmajor Governmental Funds		84,464
			260,141
Transit	Public Ways and Facilities		5,000
Facilities	Capital Improvements		296,000
	Nonmajor Governmental Funds		336,112
			632,112
Internal Service Funds	General Fund		15,000
	Capital Improvements		150,000
			165,000
Total transfers		$	76,694,404

NOTE 6 – PAYABLES

Payables at year-end of the County's major individual funds, nonmajor and internal service funds, in the aggregate, are as follows:

Payables- Governmental Activities:	Accounts Payable and Accrued Liabilities	Due to Other Governments	Deposits From Others	Total
General Fund	$ 11,406,970	$ 2,584,559	$ 753,052	$ 14,744,581
Public Safety Fund	4,690,923	-	121,538	4,812,461
Public Ways and Facilities Fund	1,956,144	-	5,108,011	7,064,155
Capital Improvement fund	599,855	-	-	599,855
Capital Projects Securitization Fund	4,195,837	-	-	4,195,837
Other Governmental Funds	647,613	-	333,132	980,745
Internal Service Funds	1,494,665	-	12,409	1,507,074
Net payables	$ 24,992,007	$ 2,584,559	$ 6,328,142	$ 33,904,708

Payables- Business-type Activities:	Accounts Payable and Accrued Liabilities	Due to Other Governments	Deposits From Others	Total
Transit Fund	$ 174,640	-	-	$ 174,640
Facilities Fund	187,283	-	170,151	357,434
Health and Human Service Fund	398,108	-	-	398,108
County Service Areas Fund	195,950	-	74,220	270,170
Sewer Maintenance District Fund	1,877,066	-	51,381	1,928,447
Net payables	$ 2,833,047	$ -	$ 295,752	$ 3,128,799

NOTE 7 – LONG-TERM DEBT

Governmental Activities

A summary of certificates of participation outstanding for governmental activities at fiscal year-end is as follows:

Purpose/Installments	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of June 30, 2005
Construction of the Administration and Emergency Services Building, installments ranging from $370,000 to $1,025,000	3.90-5.70	3/06/97	06/01/24	$ 15,000,000	$12,605,000
Construction of Juvenile Detention Facility, installments ranging from $345,000 to $815,000	3.90-5.00	6/19/98	07/01/25	13,200,000	11,455,000
Total				$ 28,200,000	$ 24,060,000

The following is a schedule of total debt service requirements to maturity as of June 30, 2005 for certificates of participation:

Year Ending June 30,	Governmental Activities Principal	Interest
2006	775,000	1,228,375
2007	815,000	1,192,210
2008	855,000	1,153,380
2009	900,000	1,111,913
2010	940,000	1,068,065
2011-2015	5,440,000	4,591,144
2016-2020	6,980,000	3,029,448
2021-2025	7,355,000	1,035,930
Total	$ 24,060,000	$ 14,410,465

NOTE 7 – LONG-TERM DEBT (Continued)

During the year ending June 30, 2004, the Redevelopment Agency of Placer County (the Agency) entered into a loan agreement with the California Housing Finance Agency (CHFA) in the amount of $1,500,000. The loan has an interest rate of 3% per annum and matures on October 2, 2012. No repayment is due until the maturity date. Year-to-date draws by the Agency in the amount of $898,792 consist of loans to Affordable Housing Development Corporation (AHDC) for predevelopment costs on three multifamily projects: the Cedar Grove Project ($545,446), in the North Tahoe Project Area, additional advance of $150,000 to the Silverbend Project in the North Auburn Project Area, and the Cimmeron Ridge Project ($203,346), no longer a viable project. The Cedar Grove and Silverbend projects will potentially contribute up to 252+ units of affordable rental housing in Placer County.

During the year ended June 30, 2005, the Agency entered into a loan agreement with Wells Fargo Bank for $500,000. The loan has an interest rate of 2% per annum and matures on September 7, 2009. No repayment is due until the maturity date.

During the year ended June 30, 2004, transactions relating to the Gold Country Settlement Funding Corporation (the Corporation) have been included in the basic financial statements as a blended component unit of the County. The Corporation borrowed from the California County Tobacco Securitization Agency (the Securitization Agency) the proceeds of Series 2002 Tobacco Settlement Asset-Backed Bonds issued by the Securitization Agency for $41,590,000. Loan payments will be funded by future tobacco settlement revenues. The Securitization Agency bonds mature in 2038 and the interest rates range from 5.75% to 6.00%.

However, in the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Securitization debt, neither the Securitization Agency, the County nor the Corporation has any liability to make up any such shortfall.

The following is a schedule of total debt service requirements to maturity as of June 30, 2005 for the Corporation loan payable. Debt service requirements are based on various assumptions, including the timing of tobacco settlement revenues. The loan is subject to mandatory redemption prior to stated maturity dates based on amounts available in the Turbo Redemption Account on June 1 and December 1.

	Governmental Activities	
Year Ending June 30,	**Principal**	**Interest**
2006	595,000	2,346,766
2007	670,000	2,312,410
2008	955,000	2,270,866
2009	1,055,000	2,218,613
2010	1,155,000	2,157,950
2011-2015	9,855,000	9,463,083
2016-2020	16,210,000	5,879,234
2021-2023	9,460,000	923,850
Total	$ 39,955,000	$ 27,572,772

NOTE 7 – LONG-TERM DEBT (Continued)

A summary of changes in long-term debt in governmental activities is as follows:

	Balance July 1, 2004	Additions	Retirements	Balance July 1, 2005	Due Within One Year
Compensated absences	$ 10,335,335	$ 10,987,626	$ (9,305,993)	$ 12,016,968	$ 3,444,910
Self insurance liability	22,758,300	11,095,216	(6,224,974)	27,628,542	6,499,335
Capital lease obligations	1,792,036	815,703	(1,545,200)	1,062,539	371,261
Securitization loan	40,485,000	-	(530,000)	39,955,000	595,000
Loans payable	596,667	802,125	-	1,398,792	-
Certificates of participation	24,805,000	-	(745,000)	24,060,000	775,000
Totals	$ 100,772,338	$ 23,700,670	$ (18,351,167)	$ 106,121,841	$ 11,685,506

For governmental activities, the self-insurance liability and the majority of the liability for compensated absences is liquidated by the County General Fund.

Prior Year Defeasance

On June 1, 1998, the County issued $13,200,000 in Certificates of Participation with an average interest rate of 4.7% to finance the cost of constructing a juvenile detention facility and to advance refund $4,430,000 of outstanding 1994 Certificates of Participation with an average interest rate of 6.6%. Proceeds from the Certificates were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Certificates of Participation. As a result, the 1994 Certificates of Participation are considered to be defeased and the liability for those certificates is not recorded in the governmental activities column in the statement of net assets. As of June 30, 2005, $3,745,000 of the 1994 Certificates are outstanding.

NOTE 7 – LONG-TERM DEBT (Continued)

Business-Type Activities

A summary of bonds outstanding for business-type activities as of June 30, 2005 is as follows:

Purpose/Installments	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of June 30, 2005
Construction of Sewer Collection and Treatment Plant, installments ranging from $6,000 to $8,000	5.00	12/1/69	1/1/09	$ 122,000	29,000
Finance closure and post closure costs at Eastern Regional Landfill, installments ranging from $260,000 to $375,000	3.70-5.00	7/1/97	1/1/12	4,170,000	2,285,000
Total				$ 4,292,000	2,314,000

The following is a schedule of total debt service requirements to maturity as of June 30, 2005 for outstanding bonds:

	Business-type Activities	
Year Ending June 30,	Principal	Interest
2006	291,000	111,175
2007	302,000	98,050
2008	318,000	84,130
2009	333,000	69,160
2010	340,000	53,160
2011-2012	730,000	55,250
Total	$ 2,314,000	$ 470,925

NOTE 7 – LONG-TERM DEBT (Continued)

A summary of changes in long-term debt in business-type activities is as follows:

	Balance July 1, 2004	Additions	Retirements	Balance 30-Jun-05	Due Within One Year
1976 sewer and water bonds payable	$ 35,000	$ -	$ (6,000)	$ 29,000	$ 6,000
1997 revenue bonds payable	2,555,000	-	(270,000)	2,285,000	285,000
Capital lease obligations	634,505	-	(166,824)	467,681	178,016
Landfill postclosure liability	4,944,444	-	-	4,944,444	-
Compensated absences	739,633	445,166	(638,807)	545,992	161,759
Totals	$ 8,908,582	$ 445,166	$ (1,081,631)	$ 8,272,117	$ 630,775

Special Assessment Debt

The total matured and unmatured bonds outstanding related to special assessment debt is $22,498,193 at June 30, 2005. The County acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The County is not liable for repayment of the special assessment debt, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable are reported in an Agency Fund.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current fiscal year, the County performed calculations of excess investment earnings on various bonds and financings and, at June 30, 2005, does not expect to incur a liability.

NOTE 8 – LEASE OBLIGATIONS

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of administrative buildings, fire trucks, and construction equipment and are classified as capital leases. The related assets and obligations have been recorded using the County's incremental borrowing rate at the inception of leases. The leases expire at various dates through 2009-2010.

Capital assets and accumulated depreciation held under capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Equipment	$ 1,365,501	$ -	$ 1,365,501
Buildings and improvements	-	1,331,410	1,331,410
Total	1,365,501	1,331,410	2,696,911
Less accumulated depreciation	(115,038)	(199,711)	(314,749)
Net capital assets	$ 1,250,463	$ 1,131,699	$ 2,382,162

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year ending June 30,	Governmental Activities	Business-type Activities
2006	$ 382,314	$ 205,993
2007	367,324	205,993
2008	294,314	102,997
2009	160,986	-
2010	16,715	-
Total minimum lease payments	1,221,652	514,983
Less amount representing interest	(159,114)	(47,302)
Total	$ 1,062,539	$ 467,681

NOTE 8 – LEASE OBLIGATIONS (Continued)

Operating Leases

The County leases real estate and equipment under cancelable and noncancelable operating leases. Future minimum rental payments under operating leases with initial or remaining noncancelable lease terms in excess of one year as of June 30, 2005 are summarized as follows:

Year Ending June 30,	
2006	3,175,569
2007	3,088,244
2008	2,669,940
2009	2,545,729
2010	1,338,578
2011-2015	2,868,644
2016-2018	129,896
	$ 15,816,600

Rents for all such leases have been recorded in the General Fund. Total rental expenditures under operating leases for the fiscal year ended June 30, 2005 were $3,244,534.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

Plan Description

All full and part-time permanent County employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the California Public Employees Retirement System (CalPERS). Elected officials may also participate at their option. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are excluded. Benefits vest after five years of service. To be eligible for retirement an employee must be at least 50 years of age and have five years of CalPERS credited service. Safety employees who retire at age 50 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of their average monthly pay rate for the last consecutive 12 months of employment, for each year of credited service up to a maximum of 30 years or 90%. Miscellaneous employees are entitled to the same maximum benefits at age 55 for each year of credited service up to 37 1/2 years. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are prescribed within a contract between the County and CalPERS.

The County contributes to CalPERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (Continued)

Funding Policy

Employees under the Miscellaneous Plan are required to contribute 8% and employees under the Safety Plan are required to contribute 9% of covered salary to CalPERS. The County is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2005, the employer contribution rate was 8.077% for the Miscellaneous Plan and 28.001% for the Safety Plan. The County, as part of its compensation to employees, pays all of the employees' contributions, except 1%, in addition to its own.

Annual Pension Cost

For the fiscal year ended June 30, 2005, the County's annual pension cost of $27,522,908 for CalPERS was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included the following for both the Miscellaneous and Safety Plan, (a) a rate of return on investments (net of administrative expenses) of 8.25%, (b) inflation of 3.5%, and (c) projected salary increases of 3.75% to 14.20% for the Miscellaneous Plan and 4.27% to 11.59% for the Safety Plan, with a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of .25%. The actuarial value of the County's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period for the Miscellaneous Plan and the Safety Plan at June 30, 2002 was 22 years and 16 years, respectively.

Three-Year Trend Information

	Miscellaneous Plan		Safety Plan	
Fiscal Year-End	**Annual Pension Cost (APC)**	**Percentage of APC Contributed**	**Annual Pension Cost (APC)**	**Percentage Of APC Contributed**
2003	$8,739,872	100%	$3,315,095	100%
2004	10,246,314	100%	5,981,802	100%
2005	19,012,741	100%	8,510,167	100%

NOTE 10 - OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 9, the County provides postretirement healthcare benefits under two plans. In accordance with the Government Code, all employees electing a PERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits. As of June 30, 2005, there were 840 retirees receiving healthcare benefits. In accordance with County negotiated employee benefits, retired employees may elect to apply up to eight hours of accrued sick leave toward one month's healthcare coverage. The County's contribution is equal to current employee rates. As of June 30, 2005 192 employees have made this election. Expenditures for postretirement healthcare benefits relating to both of these plans are recognized as monthly premiums are paid and are financed on a pay-as-you-go basis. During the fiscal year, expenditures of $4,799,522 were recognized for postretirement healthcare benefits.

NOTE 11 - CONTINGENT LIABILITIES

The County is a defendant in a number of lawsuits and has other claims pending, some of which seek substantial money damages. Some claims may not be covered under the County's excess liability insurance policy; however, management is of the opinion that the potential liability would not have a significant adverse effect on the County's financial position.

The County participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. Some audits of these programs for or including the fiscal year ended June 30, 2005 have not been concluded. Accordingly, the County's compliance with applicable grant requirements is yet to be established. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

NOTE 12 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The County maintains an Internal Service Fund to account for and finance its risks of loss. Under these programs, the County is self-insured for the following risks up to the maximum amount per claim as follows: Workers' Compensation, $125,000; General Liability, $500,000; Dental and Vision Care, $1,500. Except for general liability, the County purchases commercial insurance for claims in excess of the preceding coverage amounts and for all other risks of loss.

For general liability claims, the County is a participant in the California State Association of Counties - Excess Insurance Authority (CSAC) excess liability insurance program. The County covers the first $1,000,000 of claims. The purpose of the pool is to spread the adverse effects of losses among the member agencies. The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the County will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. Commercial insurance covers claims between $1,000,000 and $25,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 – RISK MANAGEMENT (Continued)

The County Transit Fund is self-insured for public liability and property damage up to $100,000 per occurrence. Claims between $100,000 and $500,000 are insured through the California Transit Systems Joint Powers Insurance Authority (CaITIP), a joint powers agency risk sharing pool, established in 1987 to provide an independently managed self-insurance program for member transit operators. Claims in excess of the pool limit are covered by excess insurance purchased by CaITIP up to $10,000,000 per occurrence. The Transit Fund has not settled any claims exceeding the risk-pool limit of $500,000 per occurrence for any of the past three fiscal years. The Transit fund has the following forms of coverage through CaITIP: bodily injury liability, property damage liability; public officials error and omissions liability; personal injury liability and collision and comprehensive coverage. The purpose of CaITIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense.

All County funds participate in the self-insurance programs and make payments to the Self Insurance Internal Service Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims (including future claim adjustment expenses), and to allow accrual of estimated incurred but not reported claims. The total historical cost/actuarially determined claims liability at June 30, 2005 is $27,628,542 consisting of $16,900,748 for Workers Compensation, and $10,727,794 for General Liability. Changes in the Self Insurance Fund claims liabilities during the fiscal years ended June 30, 2005 and 2004 were as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Balance June 30
2003-2004	20,455,800	9,198,958	(6,896,458)	22,758,300
2004-2005	22,758,300	11,095,216	(6,224,974)	27,628,542

The claims liabilities above, reported in the Self Insurance Internal Service Fund at June 30, 2005, are based on requirements of GASB Statement No. 10 and GASB Statement No. 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These accruals represent estimates of amounts to be paid for reported claims, and incurred but unreported claims based upon past experience, modified for current trends and information at an 80% confident level. The County contracts with independent actuaries to compute the estimated liabilities for the County's self-insurance programs. The liability for unpaid claims for workers' compensation and general liability is discounted to reflect estimated net present value assuming a 4.7% and 5.0% interest rate, respectively. While the ultimate amounts of losses incurred through June 30, 2005 are dependent on future developments, based upon information provided by the County Counsel and others involved with the administration for the programs, the County's management believes that the aggregate accrual is adequate to cover such losses.

NOTE 13 - COUNTY SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The County accounts for solid waste landfill postclosure costs based on the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and federal laws and regulations require the County to place a final cover on its Eastern Regional landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County closed the landfill during the 1995-1996 fiscal year. The $4,944,443 reported as landfill postclosure care liability at June 30, 2005, represents the cumulative amount reported to that date based on the use of 100% of the estimated capacity of the landfill. Actual costs may be higher due to change in estimated inflation, deflation, changes in technology, or changes in applicable laws and regulations.

The County is required by state and federal regulations to make deposits to its postclosure maintenance fund to finance postclosure care costs. The County has restricted cash and investments for the payment of postclosure care costs in the amount of $449,002 as of June 30, 2005.

NOTE 14 - JOINT VENTURE

The County, in conjunction with the City of Roseville and the South Placer Municipal Utility District, has formed the South Placer Wastewater Authority (the Authority) on October 1, 2000 to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities (Facilities). The County's ongoing financial responsibility is for the payment of their proportionate share of the operational and maintenance costs of the Facilities. The County does not have any equity interest in the Authority and, as of June 30, 2005, the County does not expect any additional financial benefit or financial burden from the Authority. The Authority's audited fund equity as of June 30, 2004 was $1,179,150 (information at June 30, 2005 was not yet available at the time of the County's publication). Complete audited financial statements for the South Placer Wastewater Authority can be obtained from the Authority's offices at 2005 Hilltop Circle, Roseville, CA 95747.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The County, in conjunction with Alpine, El Dorado, Nevada and Sierra counties, has created Golden Sierra Job Training Agency, the purpose of which is to develop and implement a public and private employer's job training program under which local employment needs and goals will be determined and training and employment programs will be planned, developed, and administered. The Golden Sierra Job Training Agency is funded through grants by the federal and state governments. The County has no equity interest in Golden Sierra Job Training Agency and no ongoing financial responsibility.

The County, in conjunction with the Cities of Roseville, Rocklin, and Lincoln, has formed Western Placer Waste Management Authority, the purpose of which is to acquire, own, operate and maintain a sanitary landfill site and all related improvements. The County has no equity interest in Western Placer Waste Management Authority and no ongoing financial responsibility.

The County is a participant with the counties of Nevada, Sutter, Yolo and Yuba to develop and operate Sierra-Sacramento Valley Emergency Medical Services Agency (the Agency). The Agency was developed to coordinate the provision of emergency medical services and to conduct various other specifically designated functions. The County has no equity interest in the Agency and no ongoing financial responsibility.

NOTE 16 – RESTATEMENT OF FUND BALANCE/NET ASSETS

During the year ended June 30, 2005, the County changed its accounting for long-term notes receivable. In prior years, long-term notes receivable were offset against a fund balance reserve. Now, long-term notes receivable are being offset against deferred revenue and will be recognized as revenue upon repayment of the notes. Accordingly, beginning fund balance for the Nonmajor Governmental Funds decreased $4,178,737 and beginning net assets for the Statement of Activities decreased by $4,178,737.

At the beginning of the fiscal year ended June 30, 2005, the District Services Internal Service Fund was reclassified from business-type activities to governmental activities in the government-wide financial statements. Accordingly, beginning balance for governmental activities in the Statement of Activities increased by $1,603,608 and beginning balances for business-type activities decreased by $1,603,608.